WSSS SEC 4NA PRELIM 2023 POA P1
ANSWER SCHEME

1(a) Provides proof that transactions have occurred. [1]

1(b)

		Source document
(i)	sale of goods for cash	Receipt [1]
(ii)	return of goods sold on credit	Credit note [1]
(iii)	purchase of goods on credit	Invoice [1]
(iv)	bank charges	Bank statement [1]

1(c)

	Item	Assets	Liabilities	Income	Expenses	Owner's equity/capital
(i)	cash in hand	√				
(ii)	bank loan		√ [1]			
(iii)	interest paid on bank loan				√ [1]	
(iv)	cash discount from suppliers			√ [1]		
(v)	Faith's contribution into the business					√ [1]

1(d) Assets = Equity + Liabilities [1]

2(a) Cost of sales = \$380 [1] + \$120 [1] + \$100 = \$600

2(b) Sales revenue = 80 x \$12 = \$960 [1]

2(c) Gross profit = (\$960 - \$600) OF [1] = \$360 [1]

2(d) Ending inventory = \$400 + \$190 = \$590 [1]

2(e) Cost of damaged handphone casings = 20 x \$18 = \$360
Net realizable value of damaged handphone casings = 20 x \$12 = \$240
Valuation of inventory should be based on cost or net realizable value whichever is LOWER.
Hence, answer is \$240. [1]

2(f)

Journal

Date		Debit \$	Credit \$
2023 July 31	Impairment loss on inventory	120 [1]	
	Inventory		120 [1]

2(g) Prudence theory [1]

3(a)

Drawings Account

Date		Debit \$	Credit \$	Balance \$
2022				
Aug 15	Inventory	500 [1]		500 Dr
Nov 19	Cash in hand	100 [1]		600 Dr
2023				
Jun 30	Capital		600	0 [1]

3(b)

Capital Account

Date		Debit \$	Credit \$	Balance \$
2022				
Jul 1	Bal b/d			15000 Cr
2023				
Jan 5	Office equipment		800 [1]	
Jun 30	Drawings	600 [1]		
	Income summary		21500 [1]	36700 Cr
Jul 1	Bal b/d			36700 Cr [1]

3(c) Accounting entity theory [1]
The activities of a business are separate from the actions of the owner. All transactions are recorded from the point of view of the business. [1]

3(d) No effect [1]

4(a) Depreciation is the allocation of cost of non-current assets over its estimated useful life. [1]

4(b) Any two [2]
- Usage
- Wear and tear
- Obsolescence
- Legal limits

4(c) It is to better reflect its usage pattern. [1] Motor vehicles are assumed to depreciate more in the earlier years as they provide more benefits due to higher usage. [1]

4(d) Non-current assets will be overstated. [1]

4(e) Depreciation expense = (\$8000 - \$500) / 5 years of useful life [1]
= \$1500 [1]

4(f) Matching theory [1]

4(g) Materiality theory [1]